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December 19, 2014

Mr. Shawn Graham
Executive Director
Teachers' Retirement System
State of Montana
1500 Sixth Avenue
Helena, MT 59620-0139

Subject: HB 59

Dear Shawn:

As requested we have determined the impact of HB 59 on the Teachers' Retirement System.

Background

HB 59 increases the required university system supplemental employer contribution rate from 4.72% to 9.75% of compensation of all members participating in the Optional Retirement Plan. This is a separate, supplemental payment in addition to the scheduled employer contribution.

Pursuant to §19-20-621, MCA, each employer within the university system with employees participating in the optional retirement program under Title 19, chapter 21, shall contribute to the Teachers' Retirement System a supplemental employer contribution sufficient to amortize, by July 1, 2033, the past service liability of the university system members still participating in the Teachers' Retirement System. The Board shall periodically review the supplemental employer contribution rate and recommend adjustments to the legislature as needed to maintain the amortization of the university system's past service liability by July 1, 2033.

Data, Methods and Assumptions

The data, methods and assumptions used to determine the impact of HB 59 are the same as those used in the July 1, 2014 valuation.

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Costs

A detailed cost exhibit is included with this letter. It compares the results of the valuation as of July 1, 2014 and the impact of HB 59.

HB 59 has no impact on the liabilities of the System. It only provides for adequate funding to fully amortize the past service liability of the university system members of TRS by July 1, 2033.

Certification

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Sincerely,

Edward A. Macdonald, ASA, FCA, MAAA
President

Todd Green, ASA, FCA, MAAA
Principal and Consulting Actuary

TBG:jnw



Teachers' Retirement System

State of Montana

Cost Exhibit

All Dollar Values are in Millions

All calculations are based on the July 1, 2014 member and asset data

	(1) July 1, 2014 Valuation	(2) HB 59
Present Value of Future Benefits	\$5,750.1	\$5,750.1
Present Value of Future Normal Cost	(559.1)	(559.1)
Actuarial Accrued Liability	\$5,191.0	\$5,191.0
Actuarial Value of Assets	3,397.4	3,397.4
Unfunded Actuarial Accrued Liability	\$1,793.6	\$1,793.6
 Total Normal Cost Rate	 9.13 %	 9.13 %
Employee Contribution Rate	(8.15)%	(8.15)%
Employer Normal Rate	0.98 %	0.98 %
 Employer Statutory Contribution Rate	 0.98 %	 0.98 %
Normal Rate	0.98 %	0.98 %
Administrative Expense Load	0.31 %	0.31 %
UAAL Amortization Rate	9.77 %	9.77 %
Total Rate	11.06 %	11.06 %
 Amortization Period (Years)	 28	 24